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TAGS: [ECON](#) [EFIN](#) [XA](#) [TS](#)  
SUBJECT: NOBEL LAUREATE JOSEPH STIGLITZ OFFERS GRIM  
ECONOMIC FORECAST

Sensitive but Unclassified; please protect accordingly.

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Summary  
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¶1. (SBU) During a visit hosted by the African Development Bank (AfDB), 2001 Nobel laureate Joseph Stiglitz gave a speech and met with Tunisian policymakers. He offered a pessimistic view of the prospects for global economic recovery in 2010 and suggested that the global recession may last through 2012. He criticized the economic policies that he said were responsible for causing the crisis and offered a post-crisis economic strategy for Africa. Tunisian policymakers, in their meetings with Stiglitz, did not seek policy advice but rather questioned him on how long the crisis might endure. End summary.

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A Blistering Critique, with Lessons for Africa  
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¶2. (U) Columbia University Professor Joseph Stiglitz visited Tunisia at the invitation of the AfDB to give a presentation on "Post-Financial Crisis: Options for Africa." Speaking on January 11 to a large and enthusiastic audience of AfDB staff, diplomats, business leaders, journalists, and others, Stiglitz delivered a broad attack on free-market economic policies and called for a renewed role for state intervention to prevent further crises. Stiglitz said that in loosening regulations on the U.S. financial sector, the Federal Reserve allowed lenders to prey on the ignorance of mortgage borrowers and, through securitization, pass the risk of sub-prime mortgages on to the global financial system. He concluded that "unfettered markets are not self-correcting, not necessarily stable, and not efficient."

¶3. (U) Stiglitz outlined a response for Africa based on diversification, innovation, and preparation and led by the so-called "Developmental State." He urged Africa to look to Asia as both a market and a source of investment, and to diversify its income base away from commodities through government-led innovation and strategic investment, particularly in agriculture and natural resource management. Looking forward, he advised African policymakers to reduce their exposure to risk through a careful approach to liberalization and to increase their capacity to respond to crises by building up reserves. A summary of Stiglitz's presentation is available at [www.afdb.org](http://www.afdb.org).

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Tunisian Policymakers Confident but Impatient  
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14. (SBU) After his AfDB talk, Stiglitz went on to meet with Tunisian Prime Minister Mohamed Ghannouchi, Defense Minister Kamel Morjane, and Minister of Development and International Cooperation Mohamed Jouini. His January 12 speech to GOT representatives, hosted by the National Defense Institute, was characterized by the state-run newspaper La Presse as an "homage to Tunisia's preventive strategy against the crisis."

Stiglitz told Econoff that in private meetings, GOT officials described their success in avoiding the worst effects of the crisis through capital controls and counter-cyclical spending. They did not pose questions to help shape GOT policy, but rather asked Stiglitz how long he expected the recession to last.

GRAY